

VALUE-BASED SELLING WITH THE SUPPORT OF CONFIGURATORS

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Abstract: *Value-based selling requires a deep understanding of the customer's business model and aims to create a customized offer with an optimal set of components. In researching the potentials of configurators to ease this offer creation for the salespeople we identified a number of factors that are relevant for the usage of such value-based configuration tools.*

Key Words: *Configurator, Sales Support, Value-based Selling, Consultative Selling*

In a meta analyses of the empiric literature about sales processes Franke and Park [3] found out, that adaptive selling is a determinant of the customer-oriented selling. According to Spiro and Weitz [10], adaptive selling, i.e. the adaption to the respective sales situation is found to be the most successful sales method. Adaptive salespeople have a large repertoire of behaviors and are very flexible in adapting them if necessary. Adaptive selling is regarded as a basis to successfully closing a sale.

Customer-oriented selling lays the focus on long-term satisfied customers. The salesperson's primarily goal is to find the most suitable offer for the customer.

Haas et al. [4] expanded the study of Franke and Park [3] with the idea of *value-based selling*. In value-based selling, the salesperson operates with a deep understanding of the customer's business model. With such knowledge, a service offer is build together with the customer, which demonstrably increases the economic success of the customer. The seller gives the customer a clear understanding of the financial amount and establishes an explicit focus on tangible financial benefits. This focus also constitutes the differentiation to the previously mentioned methods of adaptive and customer-oriented selling [4].

1. INTRODUCTION

Creating a value for the customer in business relationships is based on a process of comparing the perceived and expected value of the products and services delivered [5].

According to Schmäh [8] neither product features nor low prices are the only crucial factors for the purchase decision. Customers are much more interested in knowing the advantages offered by a product or service which provide the highest possible value for them individually. The impact of this customer value determines whether the customer concludes the transaction.

In this paper, we want to focus on how the customer value can be addressed in the most efficient way with the help of interaction tools such as configurators.

2.2. Basics of Value-based Selling

2. SALES APPROACHES WITH THE FOCUS ON VALUE-BASED SELLING

2.1 Differentiation of Sales Approaches

Since the 1980's, studies about sales processes began to mention a different sales concept: they focus on the perspective of the customer. In the literature appear different terms to describe this approach: *customer-oriented selling, adaptive selling, counselor selling, consultative selling* or *relationship selling* [10].

In all of these approaches optimal sales is described as a dynamic process which is adaptive and interactive. The basic concept is that salespeople should be adaptive and flexible enough to select and implement a sales strategy during talking to customers according the characteristic and needs of the prospective customer and situation [9].

The term *value* used to refer to the business relationship between customer and supplier was formerly particularly known as the price paid for a service (*value from the customer*). Nowadays it focuses on the added value of the provided services from a customer perspective (*value to the customer*). *Value-based selling* or *value-based management* is mentioned as a basic orientation of corporate management. This fulfills more than just the claims of the shareholders and goes clearly beyond the shareholder value approach [1].

Value-based selling highlights a direct resultant value for the customer while building a relationship and, more important, the benefits gained throughout the entire life cycle of the products or services. Examples would include the generation of sustainable competitive advantages, cost savings in operation, increase in reputation, etc. [8].

If the salesperson manages to submit these gained customer benefits in the negotiation process, they will not only be able to retain the price offered, but also to

build an emotional and valuable customer/supplier relationship. This relationship will enable the customer to bring the offering in conjunction with its own advantages. It will be worthwhile to receive the services [2].

2.3. Benefits of Value-based Selling

The benefits of value-based selling have been studied by Haas et al. [4] extensively. The study focuses on examining the benefits when including specific, tangible economic values to the customer interaction by sales staff. In the study the effectiveness of three different sales approaches are compared.

Figure 1 illustrates these selling behaviors and their efficiency. Pure adaptive selling, adaptive selling in combination with value-based selling and adaptive selling combined with customer focused selling.

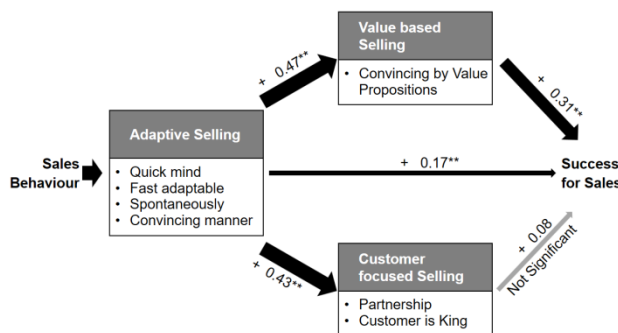


Figure 1. Relationship between sales behavior and sales success [4]

Adaptive behavior from the seller forms a basis towards development of economic values for the customers. Therefore, maximizing customer orientation is not enough to be successful in sales. If only the needs and accompanying products are offered, by the sales people it delivers less (economic) value to the customer. This also holds true to independent solutions with added value to the customer’s business. This results in a lack of reason for the customers purchase decision.

The study shows that value-based selling based on adaptive behavior result in the highest prospects for sales success. Pure adaptive selling behavior was ranked second. Maximized customer-oriented behavior based on adaptive selling was ranked as third. The analysis contains data from 354 salespeople from 46, European operating sales organizations. Salespeople who were interviewed average 14 years of experience in sales. The salespeople have the appropriate experience and qualifications, as they have worked in positions such as a sales manager or customer engagement manager while being on the on road [4].

Face to face selling is considered as a very costly marketing communication vehicle. But as all studies show, the high costs are justified because of the better outcome than other ways. The salesperson develops a unique message for each of his customers and - as demonstrated in sales data and also in customer satisfaction data - the customers appreciate this [7].

The main question in this present paper is to find out, if the value based-sales process can be optimized with the help of an interactive tool like a configurator.

3. VALUE-BASED SELLING WITH THE HELP OF CONFIGURATORS

3.1. Required Configuration Criteria

An interactive tool like a configurator can only support the value-based selling process, if the following criteria can be fulfilled:

- Creation of values through the interaction
- Identification, understanding and prioritization of the most important motivators, values and needs of the customers
- Recommendation of features according to products and services which fit to the value propositions of the customers
- Presentation of products with detailed information about their fulfillment of the chosen value
- Dynamic and adaptive configuration process in a way the salesperson is able to do it
- Possibility to interact and change the results constantly
- Continuous learning and customization of quotes, requirements and contexts

3.2. Creation of value through the configuration process

As we already noted, creating value for the customer is the basis for a successful customer-seller relationship. Value-based selling aims to understand the customer needs to meet them with a range of products and services in the best possible way.

Haas et al. [5] developed a framework for creating value in the sales process which is based on interaction. Table 1 shows the four facets of the value-creating process in relationship between customers and suppliers. The configurator used for this task should be able to resemble a salesperson-customer-interaction which is able to create values.

Table 1. An interaction-based framework of sales value-creating tasks [5]

Jointness	Values in a business relationship are formed by grouping different resource sets (for example customer / supplier).
Balanced initiative	Both parts in a business relationship have the resources and the expertise to take the initiative and responsibility in the creation of added value.
Interacted Value	Unplanned values can emerge from mutual interaction during the creation of a solution. These temporarily created benefits can improve the interaction of the parties.
Social-Cognitive Construction	Due to social and cognitive processes, values may be weighted and understood differently by the parties.

To fulfill these criteria, the configurator has to be an open communication tool which processes the input from the customer as well as the salesperson's side. Additionally, the configurator's algorithm should be updated continuously within the learning process.

Looking at the four different facets from the perspective of the salesperson, the following *value-creating tasks* can be identified. This can succeed in the relationship between suppliers and customers to create maximized values.

Table 2. Methods for creating values in interaction processes [5]

Jointness	- Identify relational processes - Merge diverging resources - Connect to value network
Balanced initiative	- Identify and activate relevant actors - Foster two-way communication - Enable mutual learning - Establish co-leadership
Interacted Value	- Facilitate interactions - Manage emergent situations - Recognize value-related patterns - Freeze value-providing solutions
Social-Cognitive Construction	- Disclose actor's perceptions of value - Enable mutual understanding - Create collective meaning

It is necessary that a relationship can also be build between the configurator and the customer. Therefore, it is important, that the configurator is understood like a consulting tool with the knowledge and character of "real people" behind the mechanism.

Values help the user to identify and acknowledge the potential benefits achieved by features, products and services within a configuration. The configurator recommends features based on the selected value propositions. Therefore, it is necessary to follow a certain chain of reasoning.

3.3. Chain of Reasoning in the configuration process

Selling products and services not only in a customer commercial field but also in complex industries requires methods to reduce the complexity of product representations.

To focus on the most important arguments is one of the main objectives in sales. According to the idea of value-based selling the configurator should give answers, *why* the customer needs the product or service. That's why in the first phase of the selling process all criteria associated with the question *why* are inquired. In most cases, these questions are easy to answer as they only involve few attributes and are based on own personal motivations.

The Question *Why*: Focus and Significance of Value Propositions

Customer motivators are more or less supported by the values offered by the provider (*value propositions*). As a result, value propositions act promoting to meet customer needs. Figure 2 shows that value propositions may have different scope and intensity and can be characterized in quantitative and qualitative values:

Examples for quantitative value propositions:

- Investment calculations with consideration of return of investment (ROI)
- Financial impact in case of breakdown
- Absolute increase of productivity with resulting savings

Examples for qualitative value propositions:

- Feeling for security / reliability / appreciation
- Reputation increase
- Relevant skills / knowledge
- Relationship values

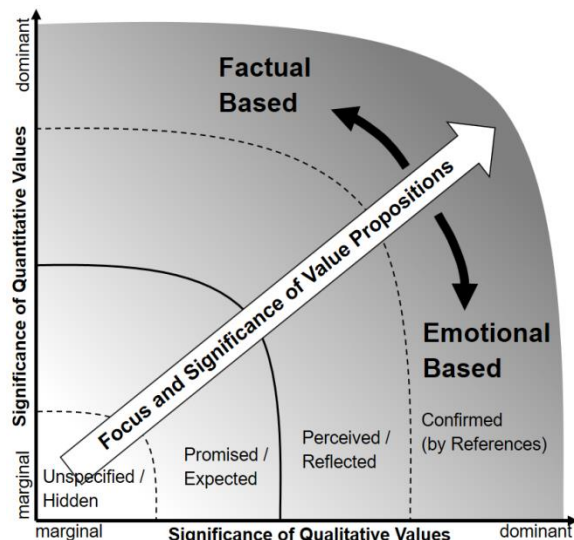


Figure 2. Focus and significance of value propositions (own representation)

The configurator should be able to identify, understand and prioritize the most important quantitative and qualitative values. Additionally, the configurator should visualize the output.

The Question *How*: Function oriented criteria

Correspondingly to the answers why a customer needs a product or service and which value the usage would provide, the configurator should find the associated arguments in a dynamic and interactive way which features are important. Therefore, the question *how* can answer the function-oriented criteria. The results are desired applications or features which also represent a certain degree of differentiation of the services.

The configurator should recommend features according to products and services which fit to the value propositions of the customers.

The Question *What*: Function oriented criteria

The last step is associated with the highest complexity: the physical properties or the parameters of a product. These refer to producer-specific product characteristics and its accompanying questions are answered by the customer with the question *what*.

The configurator should present the products with detailed information about their fulfillment of the chosen values.

As shown in the figure below (figure 3) the chain of reasoning should follow the path from a value-based selling to a feature selling ending up in a parameter selling with a tender as the output. The configurator should lead the users through this whole process.

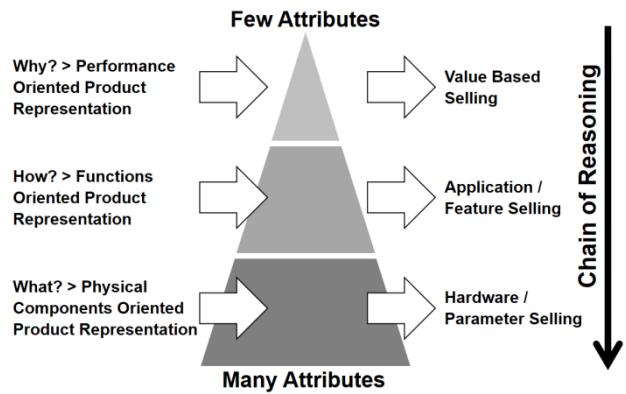


Figure 3. Chain of Reasoning in context of mass customization (own representation based on Reichwald and Piller [6])

The following figure illustrates three types of specifications - performance oriented, function oriented and physical components oriented - on the example of purchasing a computer.

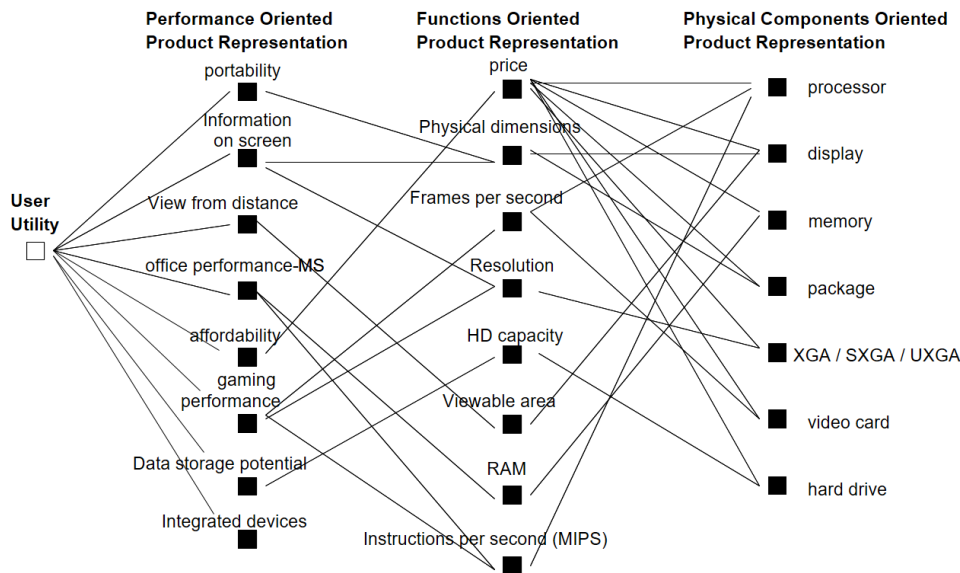


Figure 4. Example of relations between different product representation (own representation based on Reichwald and Piller [6])

4. INTERACTION STEPS OF CONFIGURE-SUPPORTED VALUE-BASED SELLING

To find out, if the support of configurators makes the communication between salespeople and customers in context of value-based selling more facilitated and therefore more efficient, the interaction steps in the phase of value-based selling can be defined as followed:

- The networking and the acquisition is done by the sales staff and can also be made independently from a specific project. In this way, the needs of the customer are identified and can be used for finding solutions.
- The records of known parameters for the project are predefined by the sales staff in the configurator. The aim is to prepare basic setup for the customer.
- The customer is requested to start the configuration. Therefore, various incentives should be provided and the added value of working with the configurator has to be highlighted (personal, individual, needs-oriented, etc.).
- The customer edits the requirements (possibly together with the sales representative).
- The result of the configuration is a document containing the *value-based requirements* and a sales brochure tailored to the customer's needs. The salesperson receives a set of customer preferences, providing notes on the technical solutions. The goal of this document is to deal with possible customer requirements in an early stage of the sales process.
- The different motivators throughout the value network are reconciled with the preselected value-based requirements within the buying center.

Through this process of reviewing the customer-specific product individualization, requirements for value propositions may arise.

- The resulting demands are then given back to the sales organization as value-based requirements.
- In the subsequent process, the salesperson takes care of working out the details. He will be able to refer to the value-oriented customer requirements.
- The offer request will relate to the concerted solution.
- Due to the early coordination of the quality requirements and the perceived significance of the offer, the offer will be accepted as valuable for the customer.

In further studies it would be important to evaluate this process and to find quantitative criteria if the approach is successful.

5. CONCLUSION

By establishing a sales method with interactive value creation, the focus shifts to the definition of requirements for value propositions based on the individual customer motivators. As Reichwald and Piller [6] already claimed, with appropriate interaction tools customer requests can be identified and suitable solutions can be allocated subsequently within the spectrum of standard services.

Looking at the individualization of a product - or in our case the individualization of an offer - during the different stages of sales, the following advantages can be noted:

- Clear and coherent chain of reasoning
- Quick changes to the solution space with given interaction tools that will directly affect the customer
- An increased willingness to order can be expected due to direct individualization of the offer: With the definition of their own solutions, customers become part of the value chain
- Data is generated based on the actions of the customer as part of a continuous process of learning and adaption to the solution space
- The represented portfolio can be adapted immediately based on experiences/feedbacks from users and of course changes on communication strategies.

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